

A DIRECT MARKETING SYSTEM FOR THE HOTEL INDUSTRY

by

CHOW SIU FUNG, CLEMENT

鄒少峰

MBA PROJECT REPORT

Presented to

The Graduate School

In Partial Fulfilment

of the Requirements for the Degree of

MASTER OF BUSINESS ADMINISTRATION

TWO-YEAR MBA PROGRAMME

THE CHINESE UNIVERSITY OF HONG KONG

May 1992



Dr. Charles F. Steilen

Advisor

thesis
TX
911.3
M3C46

348219



ACKNOWLEDGMENT

The arthur would like to express sincere gratitude towards the following people who spare their invaluable time for interviews. Without their useful information, constructive comments and invaluable ideas, this project cannot be made possible.

Mr. Harold Wentworth
Marketing Services Manager
Omni Hotels Asia-Pacific

Mr. Chester Tsang
Assistant Human Resources Manager
New World Hotel

Mr. James G. Hoy
Account Executive
KLP International Ltd.

Mr. Batthew Pang
Account Executive
Ad-Post (Hong Kong) Ltd.

I would also like to thank my supervisor, Dr. Steilen, for his constant support and encouragement.

ABSTRACT

Marketing in hotel industry is a popular subject to study. Direct marketing is becoming more and more popular among those marketers whose products can be delivered by post. For the time being, there are still many hoteliers being unaware of the possibility of using direct marketing as a tool to promote their product. Therefore in this project, we will concentrate in the issue of direct marketing in hotel industry.

Firstly we will try to convince the hoteliers that direct marketing is really effective in their industry. After then, we will proposed a direct marketing system suitable for most of the hotels in Hong Kong. In order to better present our ideas and concepts, we will use Omni Hotels Asia-Pacific as an illustrative example.

In our proposal system, we will handle the potential and existing customers separately and differently. Therefore chapter VI to IX will mainly focus on potential customers while chapter X to XII will only take care of existing customers. After we presented the whole system, we will then make a general conclusion to the whole issue.

TABLE OF CONTENTS

| | |
|-----------------------------------------------------------------|-----|
| ABSTRACT..... | ii |
| TABLE OF CONTENTS..... | iii |
| Chapter | |
| I. INTRODUCTION..... | 1 |
| II. SCOPE OF THE PROJECT..... | 6 |
| III. OMNI HOTELS ASIA-PACIFIC..... | 8 |
| IV. EFFECTIVENESS OF DIRECT MARKETING IN HOTEL INDUSTRY..... | 11 |
| V. A PROPOSED DIRECT MARKETING SYSTEM IN A HOTEL..... | 15 |
| VI. HOW TO GET GOOD LISTS AND BUILD OURS.... | 18 |
| VII. DUPLICATION PROBLEM..... | 23 |
| VIII. WHAT OFFER WE COULD MAKE..... | 27 |
| IX. TIMING OF MAILING..... | 32 |
| X. GUEST HISTORY DATABASE SYSTEM..... | 35 |
| XI. RANKING METHOD..... | 38 |
| XII. HOW TO USE THE GUEST HISTORY..... | 41 |
| XIII. CONCLUSION..... | 45 |
| EXHIBITS..... | 46 |
| BIBLIOGRAPHY..... | 54 |

CHAPTER I

INTRODUCTION

Marketing in Hotel Industry

Although 'marketing' has been defined in many ways, what the ultimate task of a marketer should be is becoming an unarguable point. The author likes to consider a good marketer as someone who is able to identify customers' needs and wants, inform and offer them a product which can satisfy their needs and wants with reasonable price, and make a profit for the company produces the product. In other words, he has to create a win-win relationship between the producers and the customers.

By win-win, we mean that the real product value to the customers should be higher than the monetary selling price; while to the producer, it should be lower. Because both parties can be benefited by a transaction, the marketers should also be able to maximize the number of transactions, up until the product value to a customer in his/her last purchase diminished to a level equal to the selling price. Of course, this also means if the product value to the customer never diminish, the marketer should enhance the transactions to eternity.

In short, a marketer is someone who can: make a profit for the producer by identifying and satisfying customers' needs and wants to full extend.

To the marketers in hotel industry, this definition is fully applicable without any amendment. However they are encountering much more difficulties in performing their task as compare with the marketers in other industries.

Why? It is because their customers are coming from various countries all over the world. Owing to the cultural difference, just identifying customers' needs and wants may require much higher than average effort. Data from a marketing research should be interpreted country by country in order to be representable. By doing so, total sample base is significantly increased.

Because of the same reason, satisfying customer needs and wants may require very special services which, in most of the time, should be tailor made for the customers. Providing tailor made services is a move far away from standardizing the products. Therefore, if the degree of adaptation is not regulated well, the extra cost incurred could be critical.

By our definition for the task of a marketer, just satisfying customers' needs and wants once is not enough. We should enhance repeat purchase which the hotel marketers

today is spending much effort to achieve. Advertising, promotion and sales force are all general means for them to gain repeat purchase as well as to inform new customers of the benefit of purchase. These are all major existing tools available to influence the customers' decision making process. However, because of the same problem of too many country of origins, the hotel marketer find difficulties of using such tools.

First of all, advertising and promotion should be done in many countries. Secondly, it is quite difficult for the sales force to reach the main decision markers who usually are the travellers themselves. It is only easy for them to approach to the local secretaries or office managers who are responsible for the booking. However, those secretaries, office managers, etc. can only play a minor role in the buying decision making process. In most cases, they only have influential power but not determining power.

We use exhibit 1 as a model to show the complexity involved in the traveller's decision making process. Also, we use exhibit 2 to show the booking personnel's decision making process, when they can make decision on behalf of the actual travellers. In chapter III, we will use Omni Hotels Asia-Pacific as a typical example to show how the hotels influence the complex decision making process of the customers.

More and More Hotels Use Direct Marketing

Because of the difficulties in using the traditional marketing tools, the marketing personnel in hotel industry start to seek alternative way to gain customer awareness and to encourage their purchase intent. Nowadays, many hotels are able to realize direct marketing as the best alternative, to the traditional way of pulling the customers.

Before we jump to the technical aspect of direct marketing in hotel industry, we better state clearly the scope of direct marketing:

"Direct marketing is a marketing system not an industry. Our 'reach' includes both present and potential customers. Our choice of media - direct mail, newspapers, magazines, radio, television - is ours to use singly or in combination. Our objective can be to get inquiries, to sell merchandise or services direct, to get contributions, to get people to visit stores. But underlying all direct marketing success is the ability to trigger a direct action, a measurable action at the right cost. And we don't care if that action is by mail, or telephone, or personal visit."
(Successful Direct Marketing, Bob Stone, p. 3)

Some hotels, however, after using direct marketing for some time, would regard it as an ineffective way to pull customers because of the poor result and/or the inability of pushing up sales figures.

However, if they use a wrong media, poor result is expected. Even if a suitable media is used,

wrong execution can also lead to poor result. For instance, if direct mail media is used, poor response rate can be an outcome of many deficiencies. If an inappropriate list was chosen, it can end up with poor response rate; if unattractive offer was given or wrong creative approach was used, it can also end up with poor response rate.

Therefore, if hotel marketers are able to execute direct marketing in an appropriate way, they will find it very useful to their industry. Otherwise, they will be frustrated by the response rate and the degree of sales improvement. As we said before they are facing many problems in using traditional marketing tools, they are advised to treat the issue of direct marketing more seriously. If they adopt it, they should make good execution of it. Firstly, we want to see what this project can do for the hoteliers.

CHAPTER II

SCOPE OF THE PROJECT

Objective

In this project, we aim at: 1) showing that direct marketing is really an effective marketing tools for hotel industry, 2) establishing a direct marketing system suitable for most of the hotels in Hong Kong.

Methodology

In the system we proposed, we mainly concentrated in the use of 'direct mail', one media of direct marketing. We have considered other possible media but due to cost-effectiveness concern, which will be discussed later, they are either placed in a minor position in our system or rejected.

Source of Information

All the ideas and information presented in this project can be regarded as the results of various interviews between the author, the project supervisor, the hotel personnel and the people of some well-known direct marketing agencies.

Limitation

This document can only serve as a prototype for setting up a direct marketing system. It is not a source of final product of direct mail package. We believe that the creative approach and the formatting of the mail are better leaved to the advertising or direct marketing agency.

Value The Project Brings

This project explore the many important considerations that a hotel marketer should be aware of when setting up a direct marketing system. Moreover, it also suggests solutions to the problems a hotel marketer will face when setting up the system.

Example Used

Specifically, we will use 'Omni-Hotel Asia Pacific' as an example to demonstrate the various concepts and techniques in the execution of direct mailing.

Since we are going to use Omni Hotels Asia-Pacific as an illustrative example, a brief introduction to this hotel group is necessary. This will be done in the next chapter.

CHAPTER III

OMNI HOTELS ASIA-PACIFIC

In July 1988, World International (Holdings) Ltd and its associate company, The Wharf (Holdings) Ltd acquired the Omni Hotels chain in North America, the acquisition and subsequent merger have given rise to two operating hotel divisions comprising Omni Hotels North America and Omni Hotels Asia-Pacific (OHAP) which was formerly known as Marco Polo International.

Within Omni Hotels Asia-Pacific, there are two Operational Divisions, namely the Hotel Division and the Club Division. The four hotel properties currently managed by Omni Hotels Asia-Pacific (OHAP) Hotel Division are Omni The Hongkong Hotel (710 rooms), Omni Marco Polo Hotel, Hong Kong (440 rooms), Omni Prince Hotel, Hong Kong (400 rooms) and Omni Marco Polo Hotel, Singapore (600 rooms).

Product Positioning

Omni Hotels Asia-Pacific is positioned in the "First class" hotel category and at the upper end of this market.

They offer frequent travellers a dependable first class hotel and resort experience in prime locations of cities in the Asia-Pacific region with international comforts and the attention to details afforded by the best in Oriental services.

Group Marketing Programmes

Recognizing the increasing competitiveness of the hotel industry, Omni Hotels Asia-Pacific's Sales and Marketing Division has developed two innovative programmes aimed at capturing the non-price sensitive market and building brand loyalty:

Tai Pan Club

Noted as Asia Pacific's premiere guest recognition programme, the Tai Pan club provides its members with personalized services, exclusive privileges, value added benefits and preferential rates in all Omni locations including the Far East and the United States. The Tai Pan Club enhances the opportunity of each Omni hotel to obtain consumer loyalty among those frequent travellers in the region.

Secretarial Incentive Scheme

The Secretarial Incentive Scheme is designed to obtain customer loyalty among those secretaries responsible for reserving accommodations for corporate travellers. Based on a points system, the more roomnights booked by the

participating secretary the higher the opportunity to obtain a selection of valuable prizes. Launched in April 1990, the Secretarial Incentive Scheme has proven itself to be an extremely profitable programme and among the most valuable assets available to the individual hotel.

Tools to Influence Customers' Decision Making Process

To influence the decision making process of a customer, OHAP has been using many marketing tools to achieve their goal. Exhibit 3 shows the tools they use in various phases of the process. Exhibit 4 shows how they use various functions to influence the possible decision makers in each phase.

In the exhibits, we can see OHAP has been using direct marketing in their promotion-mix. Therefore, it is justified to use it as an example to demonstrate the execution of direct marketing in a hotel. But before we go to the execution side, we want to know why direct marketing is effective in hotel industry.

CHAPTER IV

EFFECTIVENESS OF DIRECT MARKETING IN HOTEL INDUSTRY

Direct Marketing has proven to be effective in many industries. It can also be effective in hotel industry as well. There have been many articles discussing why direct marketing is effective in general, here we are only interested in its effectiveness in the hotel industry.

Talking about effectiveness, we should take the cost into consideration. When we choose between different media for direct marketing, we arrived into conclusion that direct mail is the most cost-effective media in hotel industry.

By using direct mail, we can reach any potential or existing customer outside Hong Kong with similar cost. The difference is only from the postage cost but this is in no way significant. A telemarketing system is not recommendable as the cost for distance calls is high, especially during office hours. Television and Radio is not appropriate as we should advertise in many countries if we use it.

Direct mail can be supported by one other effective media - international magazine. Later on, we will mention how we can build our potential customer list by placing off-the-page and insert advertising in those magazine.

By choosing direct mail as a media in hotel industry, we can find direct marketing have the following advantages over the traditional methods.

1. Accurate Targeting

In the hotel industry, the percentage of potential customers relative to the whole population is small. Therefore, if we use traditional advertising media to gain awareness, much of the money will be wasted on non-targeted audience. Fortunately, those potential customers bear many similarities with each others and so we could accurately identify them. Then we could use direct mail to reach them with minimum wastage.

2. No Territorial Barrier

In the hotel industry, the potential customers come from many countries. If we use traditional marketing tools to reach them, we should advertise in many countries, or maintain a huge sales force internationally. The cost involved perhaps outweigh the result. However, by direct marketing, we can reach a potential customer in any country with the same amount of effort.

3. Can Evaluate The Potential of Different Countries

In direct marketing, we stimulate response from the audience so that we can measure the effectiveness. Therefore, by measuring the response rate of different countries, a hotel can evaluate the market potential of each country and set its marketing plan accordingly. While we can hardly measure response in traditional advertising, so different market potential in different countries cannot be evaluated.

4. Optimum Timing

In hotel industry, different guest will have different pattern of travelling. If a hotel can keep track of existing customers' timing of travel, it can send direct mail to its customers at various time. However in traditional advertising, all audiences are reached at the same time.

5. Follow-up

When a guest goes back to his/her country, the possibility of repeat purchase of this customer relies on the follow-up activities of the hotel. We can send direct mails to those customers asking if they need help in seeking information, book air-tickets, train tickets, hotel rooms.

6. Can Test Different Concept for Traditional Advertising

Identify the right concept to be used in the

advertising is more difficult in hotel industry than in others industries because the audience are of different culture. By using direct mail, different concepts can be tested by the response rate and the successful one can serve as a guideline for traditional advertising.

Accurate targeting is of prime importance in marketing. Territorial barrier is the major problem in the marketing of hotel industry. Therefore, just because of the first two advantages we mentioned above, we can already justify the need for setting up a direct marketing system in a hotel. In the next chapter, we will use a simplified picture to show our proposed direct marketing system in a hotel.

CHAPTER V

A PROPOSED DIRECT MARKETING SYSTEM IN A HOTEL

A Simplified Picture of The System

After various discussions with the hotel marketing people and direct marketing agencies, a proposed direct marketing system suitable for most of the hotels in Hong Kong was established. Exhibit 5 shows a simplified picture of the system. In the picture we can see the media used is mainly direct mail. We can also see the hotel should be able to reach two kinds of customers - potential and existing. We divided them into two groups because a potential customer and an existing customer required very different technique to take care of.

For potential customers, the bought or rented list are divided into groups - those with home address and those with office address only. For those with home address or with both addresses, we sent direct mail to their home address. It is because most of the printed matters sent to the businessmen by office address will normally be screened out by the secretaries or clerical staffs. Thus, for those who have office address only, we should follow up by reminding telephone calls after we sent the mail. In the

call, we only need to inform them that they will receive something special in the coming N days, where N is the number of days for a normal mailing time.

In the mail, there should have something to stimulate response. If a potential customer return the reply slip with a tick in the box for a video tape about the hotel, then the video tape will be sent immediately. This seems very costly but those customers who return the slips are all stimulated customers and thus have real purchase intent. Video tape can convey the hotel's message visually and so can encourage immediate booking.

On the existing customers side, we assume that we have already got their home address since they checked-in during their first visit. So we can easily establish a dialogue with them using direct mail. This time, we should be able to maintain a more detail guest history file for each customer after their purchase. This can be computerized by developing a database. In the database, we rank the customers in terms of their:

- 1) recency of purchase,
- 2) frequency of purchase, and
- 3) revenue generating power.

Then, we make different offers and deliver different level of promotion to different customers according to their ranking. On top of this, we keep track of customers' purchasing habit so that some tailor made promotion

services can be given to the right customers.

This proposed system should be able to convert an existing customer into a potential customer if he or she has not purchased the service for longer than a definite period, say three years. Needless to say, it should also be able to convert a potential customer into an existing one once he or she purchase.

Because of the database, special promotion can be carried out from time to time targeting to a particular segment, or nationality, or group with similar purchasing habit.

Purpose of Setting up the system

For Potential Customer:

- 1) to gain awareness
- 2) to stimulate Response
- 3) to induce trial

For Existing Customer:

- 1) to maintain the relationship
- 2) to encourage repeat purchase

In the next chapter, we will consider the ways to identify the potential customers. In direct mailing, a good list is half the battle, so we will start from talking about lists.

CHAPTER VI

HOW TO GET GOOD LISTS AND BUILD OURS

Magazine Subscriber

To get an appropriate list is the most crucial factor to succeed in direct mailing. In hotel industry, direct marketers are constantly searching for multinational lists. The best multinational lists are those well-known international and pan-regional magazine subscriber and/or respondent lists. Below are some examples of well-known international magazine:

- Business Week
- Fortune
- Newsweek
- Business Traveller
- Economist
- Harvard Business Review
- etc.

Among the examples specified above, of course, the list of Business Traveller's subscriber/respondent is more relevant to the hotel industry.

International Credit Card Holders

Another source of multinational list is from the international credit card issuer. For instance, Omni Hotel Asia-Pacific use direct mail to reach the Japanese AE Card holders who have travelled to Hong Kong and/or Singapore

more than 5 times over the past one year and spent over a definite amount of money in accommodation only. This of course can target to the potential customers very accurately but the list is short and costly. It is a general rule-of-thumb that the more narrowed down the list becomes, the more expensive the list will be.

Therefore, after we exhausted such highly targeted list, we can relax some of the targeting criteria to lengthen the list. For instance, we can relax the accommodation expenditure constrain to get more names, then relax the number of travelling times requirement to get even more, up until the response rate is still within the profitable range.

List Works For Any Country

We need not to concentrate on any particular country. For example, we cannot determine whether a Japanese or a Dutch has much potential to purchase, if they both have travelled to Hong Kong for N times in the past X months. In fact, the largest countries are often the hardest to penetrate by direct marketing; it is the smaller countries that give the best results.

According to the Managing Director of Mailing List (Asia) Ltd, James Thornton, the U.K., France and West Germany are tough among the European countries while Greece, Switzerland, Cyprus, Ireland and Scandinavian

countries will give us higher response rate. The Arab Gulf countries are excellent. The Philippines, Indonesia and Papua New Guinea perform better than Singapore or Malaysia. Taiwan has small quantities in multinational list, but don't leave it out.

New Zealand outperform Australia and East Africa. Canada gives us better response than the United States. Even Egypt and Turkey can perform surprisingly well. Above all, don't omit those little selections at the bottom of list data card with geographical breakdowns such as 'Rest of Europe', 'Rest of Asia', 'Rest of Middle East', etc.

The smaller the quantity, the better they tend to work. In smaller countries people are more pleased to receive our mail. For instance, in a country like Iran, the number of people who have visited Hong Kong for more than three times over the past one year may be just a few dozens, but if we can identify and reach them by direct mail, the chance that we can induce their purchase could be very high.

Build Our Own List

In fact, we can build our own potential customer list. If the list is brought, of course we can add it to our database. Even if a list is rented, we can still nourish our database by adding the respondents of our direct mails to our potential customer list. Therefore, stimulating

response is our major concern and this will be discussed when we talk about the offer. We can also place off-the-page and insert advertising in those international magazine to stimulate response and the returned names can then be added to the database.

List Testing

Remember that most lists available in the market don't work to well. Therefore, when we rent or buy a list, we should firstly test it with small quantity, say 5,000. Even if a list performs very well (high response rate) in the first test, don't automatically roll-out to the full quantity. It is because most listowners supply their best names for us to test. When we roll-out, the other names can be rubbish.

So, we should conduct a second test, if the result is comparable to the first one, than accept the whole list. If its performance is significantly lower than the first but is still good, then conduct the third test, and so forth. This process can be stopped when either the performance of the test can be comparable to the previous test or it becomes too low to be accepted. In the first case, we can take the remaining list while in the latter case, we better stop to use the list any more.

In this chapter, we can see there are many ways to get the name and address of a potential customer. Our list can

be expanded by adding names to it from time to time. However, when we add the names to our list, we should make sure all entries are new. Otherwise, duplication problem will occur. We will discuss this problem in the next chapter.

DUPLICATION PROBLEM

Duplication within a list is inevitable for the following main factors:

- 1) The lack of uniformity of name structure.
- 2) The general lack of official identification.
- 3) The lack of a centralized database.

Let us take about the first factor. In an organization with a large number of members, the first name is often not used. It is often the last name or the initials of the name that are used. For example, the whole name of a person is "Chen Tai-pan". In a list, the name may be written as "Chen Tai-pan", "Tai-pan", "Chen", etc.

Regarding the second factor, the variation of national standards for addresses in many countries is a large contributor to this duplication. In Asia, only the countries of Japan and South Korea have postal authorities with strict regulations, which every citizen must follow. Both of them adopted the postal code system like that in the

CHAPTER VII

DUPLICATION PROBLEM

Duplication within a list is unavoidable due to three main factors:

- 1) The inconsistency of name formats,
- 2) The general lack of national standards for address,
- 3) The lack of sophisticated deduplication software.

Let us talk about the first problem. Some organization will use a name format which put the surname first while others put it last. Some like to use only the initial of the middle name while others like to use the whole name. As a result, Peter Chan Tai-man will constantly be receiving mail for Peter Chan, Chan Peter, Chan Tai-man, Tai Man Chan, T.M. Chan, P. Chan, P.T.M. Chan, etc.

Regarding the second problem, the general lack of national standards for addresses in many countries is a large contributor to list duplication. In Asia, only Singapore and Japan have their local postal authorities set strict regulations, which every mailer must follow. Both of them adopted the postal code system like that in the

western countries, whereby every address must bear the correct postal code before being delivered. However, having a postal code is not automatically a solution to list duplication.

It is because, bigger companies tend to use a shortened address when they are located in a prominent building, e.g. The Landmark, Princes' Building and Exchange Square in Hong Kong. In most cases, they will totally omit the road and distinct parts of their address. In other instances, they may skip the building name and put only the road name and number. Alexandra House in Hongkong's Central business district lies on a plot of land located at the junction of Charter Road, Des Voeux Road Central and Ice House Street. Which street address to use is really up to each individual tenant to decide, depending on likes and dislikes.

This kind of problem can happen in any country. To the local postmen, this doesn't cause too much harm because they can interpret the address in either way. However, to a direct marketer in a hotel who holds a multinational list and attempt to match addresses to purge out duplicates, the problems make it virtually impossible to get a 'clean' list.

Minimize Duplicates

If a list is brought, of course, the duplicate problem

is hard to avoid because of the lack of sophisticated deduplication software as stated before. However, when we build our own list by the return mail, we can minimize the problem by using a restricted name format. Below is an example to demonstrate a correct and an incorrect format for the respondent to fill.

Incorrect format :

Name : _____

Correct format :

| | | | |
|---------|------------|-------------|------------|
| | | | |
| Surname | First Name | Middle Name | Other name |

Or, if we are afraid of annoying the customers. We can consider any of the below formats.

1)

| | | |
|---------|------------|------------|
| | | |
| Surname | First Name | Other name |

2)

| | | |
|---------|------------|-------------|
| | | |
| Surname | First Name | Middle name |

3)

| | |
|---------|------------|
| | |
| Surname | First name |

Space for filling 'Date of birth' can be added, for the sake of further identification, and for getting a more complete profile of potential customers.

e.g. Date of Birth :

| | | |
|-----|-------|------|
| | | |
| Day | Month | Year |

Now we know how to expand and maintain a good list. Next we will consider about what offer we could make to the customer.

It is critical for us to have the right offer (sometimes referred to as proposition) to our customers. Many times it has been said that the offer is the key. It is not enough to have a list of names in a phone book. 100 percent just changed their minds.

Below is a list of some of the offers that may be used singly or in various combinations.

- 1) Free information
- 2) Samples
- 3) Free trial
- 4) Conditional sale
- 5) Will to buy
- 6) Free no
- 7) Free trial
- 8) Get-a-Plan
- 9) Contacts
- 10) Discounts
- 11) Negative Option
- 12) Positive Option
- 13) Lifetime Membership
- 14) Free trial
- 15) Free trial
- 16) Free trial
- 17) Free trial
- 18) Free trial
- 19) Free trial
- 20) Free trial
- 21) Free trial
- 22) Free trial
- 23) Free trial
- 24) Free trial
- 25) Free trial
- 26) Free trial
- 27) Free trial
- 28) Free trial
- 29) Free trial
- 30) Free trial

(Successful Direct Marketing, 2nd ed., pp. 14-15)

Of course, among the offers stated above, only a few of them are suitable for use in hotel industry. Others are more suitable for those products which the delivery can be made by post. Before we examine which offers are suitable

CHAPTER VIII

WHAT OFFER WE COULD MAKE

It is critical for us to make the right offer (sometimes referred to as propositions) to our customers. Many times it can determine between success and failure. It is not unusually to see differences in response of 50 or 100 percent just because different offer are used.

Below is a list of some 25 basic offers in general that may be used singly or in various combinations:

- | | |
|-------------------------|-------------------------|
| 1) Free information | 14) Load-ups |
| 2) Samples | 15) Free gift |
| 3) Free trial | 16) Deluxe alternative |
| 4) Conditional Sale | 17) Charters |
| 5) Till forbid | 18) Guaranteed Buy-back |
| 6) Yes-no | 19) Multiproduct |
| 7) Time limit | 20) Piggybacks |
| 8) Get-a-fiend | 21) Bounce-backs |
| 9) Contests | 22) Good-better-best |
| 10) Discounts | 23) Optional terms |
| 11) Negative Options | 24) Flexible terms |
| 12) Positive Options | 25) Exclusive right |
| 13) Lifetime Membership | |

(Successful Direct Marketing, Bob Stone, pp.36-40)

Of course, among the offers stated above, only a few of them are suitable for use in hotel industry. Others are more suitable for those products which the delivery can be made by post. Before we examine which offers are suitable

for hotel industry, let's see what offers Omni Hotel Asia-Pacific is using.

They use 'free information' and 'Charters' offers. The following is a brief description of those two offers.

"Free information: This is often the most effective offer, particularly when leads for salespeople are the prime objective or non prospects must be screened out at low cost before expensive literature is sent to prime prospects." (Successful Direct Marketing, Bob Stone, p. 34)

"Charters: A charter offer by its very nature denotes something special. The offer plays on the human trait that many people want to be among the first to see, try, and use something now. The most successful charter offers include special rewards or concession for early support." (Successful Direct Marketing, Bob Stone, p. 39)

Exhibit 6 & 7 shows how OHAP makes these two offers in their direct mail. We will use these two offers as illustrative examples to the offers we could make.

Let's talk about their free information offer first. In Exhibit 6, we can see the respondent is only required to fill-in his/her personal details. He/She don't need to say 'Yes' because the returned mail format already have build-

in positive answer. This is a usual technique a direct marketer has to pursue if he makes free information offer.

In our proposed system, we hope to further stimulate response by offering video tape, so we can mention the video tape in the preset statement. For example:

YES! I would like to know more about Omni Hotels Asia-Pacific. Please send me more information including a video tape introducing your Hotel.

The space for filling the name should be restricted to preset format as explained before. Space for 'Date of birth' can be added. Please refer to the section talking about list duplication.

One more information of the customer is important, i.e. Tentative Departure Month. If the date is very close, we use airmail to deliver the tape, otherwise, we use surface mail. Moreover, this can also have certain effect to discourage someone who is not a potential customer to response. After the amendment, the card may look like this:

YES! I would like to know more about Omni Hotels Asia-Pacific. Please send me more information including a video tape introducing your Hotel.

| | |
|---------|------------|
| | |
| Surname | First name |

Company : _____

Title : _____

Address : _____

Tel : _____

Date of birth : _____(day)_____(mth)_____(year)

Tentative Departure Month : _____

Now, we come to see the Charter offer OHAP uses. This offer is presented in Exhibit 7. Subject to test result, the 'UPGRADE' offer may appeal to the potential customer. However, the way that OHAP makes the offer cannot stimulate immediate response because no reply is necessary to get the offer. Moreover, the condition 'subject to availability upon check-in' may cause distrust to the customers.

In our system, we can use an alternative technique to make the same offer. We can prompt the respondents to return a slip within N days in order to get the offer. The offer can be secured by early booking. The booking can be made together with the return slip or by a later call or mail. By doing so, the offer is only subject to availability at time of booking.

Besides the offers used by Omni Hotel, many other offers can be considered for hotel industry. The point is, we change our offer from time to time and test its response rate. After the tests, we can stick to the offer with highest response rate. Only until the response rate decreases to a level not better than the second best offer that we can change the offer to the second best.

Candidates of offer for testing in hotel industry are:

- Free information
- Free trail
- Contest
- Discounts
- Free gift
- Deluxe alternatives
- Charters
- etc.

After we had an appropriate list and decided the offer, we can hire a direct marketing agency to design the creative approach and format for the whole mailing package. When everything are ready, we should consider the timing of mailing and this will be discussed in the next chapter.

CHAPTER IX

TIMING OF MAILING

Best Mailing Months

Different mailing months in a year will generate different response rate. Different industry will have different pattern of response rate in a year. Therefore, to ensure we send our mails in the best months, we should test out which months give higher response rate. The test should use a same list, and send out same quantity of mails each month in a year. The months that give higher response rate is the best months for us to reach the potential customers. We can give a rating to each month.

The month with highest response rate is given a rating of 100. Ratings for other months is a relative percentage of responses comparing with the best month. For example, if June is the best month, then the rating will look like this:

| Months | Rating |
|-----------|--------|
| January | 65 |
| February | 73 |
| March | 87 |
| April | 90 |
| May | 80 |
| June | 100 |
| July | 87 |
| August | 85 |
| September | 95 |
| October | 64 |
| November | 73 |
| December | 92 |

By using such chart, we can compare the relative performance of each month very easily. If viewing from this chart, we can clearly see that the best mailing months are April, June, September and December.

Unsuitable Time for Mailing

There is time not suitable for mailing, e.g. when we mail before, during or too soon after chinese New Year in most Asian countries where Chinese business communities are strong (Hong Kong, Singapore, Malaysia, Thailand, Indonesia, Philippines and Taiwan) our response rates will drop. Ramadan in Moslem countries and the Arab Gulf lasts for 30 days. Most Moslems fast during this period and strict Moslems will not make serious response. So, our response rates will drop around 30% if we mail at

this time. Also, look out for and avoid the larger local holidays such as Golden Week in Japan at the beginning of May. Many other countries may have their special period busy in something, so the direct marketers better avoid to reach them within those days.

Now we have known how to reach potential customers effectively. Then we have to consider how to handle the existing customers. As we have made clear that our purpose is to maintain the relationship and encourage repeat purchase, therefore we should be able to keep as much information of our customers as possible. The best way to keep information is to develop a guest history database system. We will discuss it in the next chapter.

Section I - Personal Particular

Name: _____
 Company Name: _____
 Title: _____
 Customer Code: _____
 Address: _____
 Telephone: _____
 Country of origin: _____
 Customer Ranking: _____

CHAPTER X

GUEST HISTORY DATABASE SYSTEM

Section II - Purchasing History in Hotel Room

Nowadays, many hotel marketers are able to realize that it is less expansive to retain existing customers than to acquire new ones. Therefore, more and more of them are searching for an effective way to record the guest history in order to better serve the guests during their stay and reach them after their purchase.

In fact, they have long been keeping track of guest preferences to anticipate the guest's needs before his or her next stay. However, they are always unable to systemize the procedure for keeping customer file. So, the best method seems to be developing a guest history database system.

To develop a guest history database system, we have to decide what should be included in a typical customer file. Exhibit 8 shows a typical customer file of Omni Hotels Asia-Pacific. The data in the file may not be sufficient enough as to keep track of customers' preference. So we recommend a typical customer file which can be as detail as follow:

Section I - Personal Particular

Name: _____
 Company Name: _____
 Title: _____
 Customer Code: _____
 Address: _____
 Telephone: _____
 Country of origin: _____

Customer Ranking: _____

Section II - Purchasing history in Hong Kong

No. of Purchase: _____
 Total length of stay: _____ days
 Total spending: \$ _____

Overall average spending per day :

| | |
|---------------------|----------|
| Room : | \$ _____ |
| Food : | \$ _____ |
| Phone call : | \$ _____ |
| Personal Services : | \$ _____ |
| Other Activities : | \$ _____ |
| Total per day : | \$ _____ |

(Then list each purchase history starting from the most recent one as follow:)

Purchase History:

1) From ____/____/____ to ____/____/____

Length of Stay: _____ days
 Business trip: _____ (YES/NO)
 Airline: _____
 Previous Stop _____
 Next Stop _____

Total Expenditure: \$ _____

Money spent on rooms: \$ _____
 Money spent on food: \$ _____
 Money spent on phone calls \$ _____
 Money spent on personal service \$ _____ (e.g. Laundry)
 Money spent on other activities \$ _____ (e.g. Disco, Sauna, etc.)

calculated by the system. Customer ranking
 by a method described in the next section.

Average per day:

room: \$ _____
 food: \$ _____
 Phone call: \$ _____
 Personal Service: \$ _____
 Other Activities: \$ _____

Companies need to contact in H.K.

- 1) _____
- 2) _____
- 3) _____

Major transportation during the stay: _____
 (RC:Rented Car, CC:Company Car, PT:Public Transportation)

Special Requests during the stay:

- 1) _____
- 2) _____
- 3) _____

2) From ____/____/____ to ____/____/____

:
:
:

3) From ____/____/____ to ____/____/____

:
:
:

etc.

In such a typical file, more than half of the information can be find from the bill of the customer in each trip. Other information are obtained by a questionnaire which the customers are requested to complete in the check-in procedure. Customer Code is a unique identification given to the customer once a new file is opened. The average expenditure numbers are calculated by the system. Customer ranking is worked out by a method described in the next section.

CHAPTER XI

| Points | Purchase Period |
|--------|-----------------|
| 5 | past 12 |
| 4 | past 12-24 |
| 3 | past 24-36 |
| 2 | past 36-48 |
| 1 | past 48-60 |

RANKING METHOD

Ranking Criteria

Dr. Leo Renaghan, professor of services marketing at Cornell's School of Hotel Administration states, "Your best customers are those who have purchased recently, purchase frequently and deliver the greatest contribution to revenue. Any system you can develop to help you extract names and profiles of those who purchase each product you have to offer will reduce your overall marketing costs and improve your results." (Lodging, Jan.92, P.21)

In fact, most marketers today bear the same believe as Dr. Leo Renagham and rank their customers in term of three factors:

- 1) recency of purchase
- 2) frequency of purchase
- 3) revenue generating power

We will take the same factors into consideration and our system will be able to rank our customer as follow:

Method

For a particular customer, he/she will score points in each purchase according to the following table:

| Points | Purchase Period |
|--------|---------------------|
| 8 | past 12 months |
| 4 | past 12-24 months |
| 2 | past 24-36 months |
| 1 | over 3 years before |

The score for each purchase is multiplied by a factor according to the following :

| Purchase Value | Multiplication Factor |
|------------------------|-----------------------|
| less than HK\$5,000 | 1.00 |
| HK\$5,000 - HK\$10,000 | 1.25 |
| more than HK\$10,000 | 1.50 |

e.g.

- 1) Suppose today is 8 April 92
- 2) Peter Chan stayed in the hotel twice in the period between 8 April 91 to 7 April 92 and spent HK\$10,725 and HK\$3,750 respectively.
- 3) He had not stayed in the hotel between 8 April 90 to 7 April 91.
- 4) He stayed in the hotel once in the period between 8 April 89 to 7 April 90 and spent HK\$6,256
- 5) He stayed in the hotel once four years ago and spent HK\$3,250.

Then, Peter Chan's score is :

8×1.5 + 8×1 between 8 April 91 to 7 April 92
 0 between 8 April 90 to 7 April 91
 2×1.25 between 8 April 89 to 7 April 90
 1×1 more than 3 years before

Therefore, total score of Peter Chan is 25.5.

If we want to take the inflation into consideration, the expenditure range for multiplication factor can be adjusted by using something like the following table:

| Purchase year | Multiplication Factor | | |
|---------------|-----------------------|------------------|-----------|
| | 1 | 1.25 | 1.5 |
| 92 | <\$5,000 | \$5,000-\$10,000 | >\$10,000 |
| 91 | <\$4,500 | \$4,500-\$9,000 | >\$9,000 |
| 90 | <\$4,000 | \$4,000-\$8,000 | >\$8,000 |
| 89 | <\$3,600 | \$3,600-\$7,200 | >\$7,200 |

Now, the system has a score for every customer. Then the system will sort the customers from highest score to lowest score. After all, it will rank the customers from rank 1 to 10:

| Rank | Position |
|------|------------|
| 1 | top 10% |
| : | : |
| : | : |
| : | : |
| 10 | bottom 10% |

Why should we rank our customers? It is because we want to deliver different level of promotional effort to different customers for better achieving cost-effectiveness. This issue will be discussed in the next chapter.

CHAPTER XII

HOW TO USE THE GUEST HISTORY

Because of the system, now we can determine who should be eligible for such benefits as welcome gifts, detailed tracking of personal preferences and birthday or holiday gifts? Also decide whether we want to give welcome gifts that are consumable or not, such as fruit baskets or wine. It is a good idea to change our gift or its presentation for variety and to give a more personalized appearance.

Make sure that personal preferences are addressed well in advance of each guest's arrival and the appropriate department should be aware of each guest's needs by consulting the guest history file. Be sure our codes for specialized services are standardized and that each department has the list; it defeats part of the purpose of guest history if we cannot repeat a style of service a guest has come to expect.

Establishing relationship and dialogue with our customer is fast becoming the most critical factor to established a base of business in hotel industry. With the system, we can make different offers for different

customers according to their ranking in our direct mailing campaign. This will make the whole campaign cost effective.

Customerized Direct Mail

For instance, we can prepare five sets of direct mails as follow:

| Set | Focus Point | Suggested Offer |
|-----|-----------------------|-------------------|
| 1 | Room service /quality | room upgrade |
| 2 | Food/restaurant | a free dinner |
| 3 | Telephone service | free gift |
| 4 | Personal service | free laundry |
| 5 | Other activities | free entrance fee |

Suppose we want to send 10,000 units of set 1 & 2 and 5,000 units of each other sets. Then we can select the top 10,000 spenders in room service and food for set 1 & 2 respectively and select the top 5,000 spenders in the other services for the other sets.

By doing so, of course, some of the customer will receive more than one offer. Don't worry, they are all big spenders in more than one area and so deserve to get more than one offer.

Corporate Performance Report

We should also make the system be able to see the revenue contribution of different company. Therefore, when we key-in a preset function key for this purpose,

the screen must flash out:

Company Name:_____

Then we can type the company name and press return. The system searches the customer files and match the customer's company name, add up the expenditure in the business trips of those customers who belong to the required company. To decide whether a trip is a business trip or not, the system should check the 'YES/NO' flag in the file. Remember there is a space for keeping this information in our customer file. After the system add up the expenditure, it has to produce something like this:

| Company : AAA | YTD 92 | YTD 91 | 91 |
|---------------------------------|--------|--------|----|
| Total Room Nights | X | X | X |
| Total Revenue (\$) | X | X | X |
| Revenue in room (\$) | X | X | X |
| Average rate (\$) | X | X | X |
| Average stay (days/trip/person) | X | X | X |

Ranking:_____

The ranking of this company is figured out by the system using the same method as described before.

Use of Corporate Performance Report

According to the ranking of a particular company, we can decide what type of incentive scheme can be delivered

to those secretaries in the company responsible for reserving accommodations for corporate travellers. We can use direct mail constantly to inform them of their current ranking and encourage them to pursue higher rank by making the right offer to them. From the corporate performance report, we can also compare the sales figure this year with last year. If it is decreasing, direct mail can be sent more frequently to maintain the level of awareness. Of course, the sales force can also use this report to schedule their customer calls.

When the guest history database system is fully developed, the whole direct marketing system is completed. We can then make good use of the system and maintain an effective dialogue with our potential and existing customers.

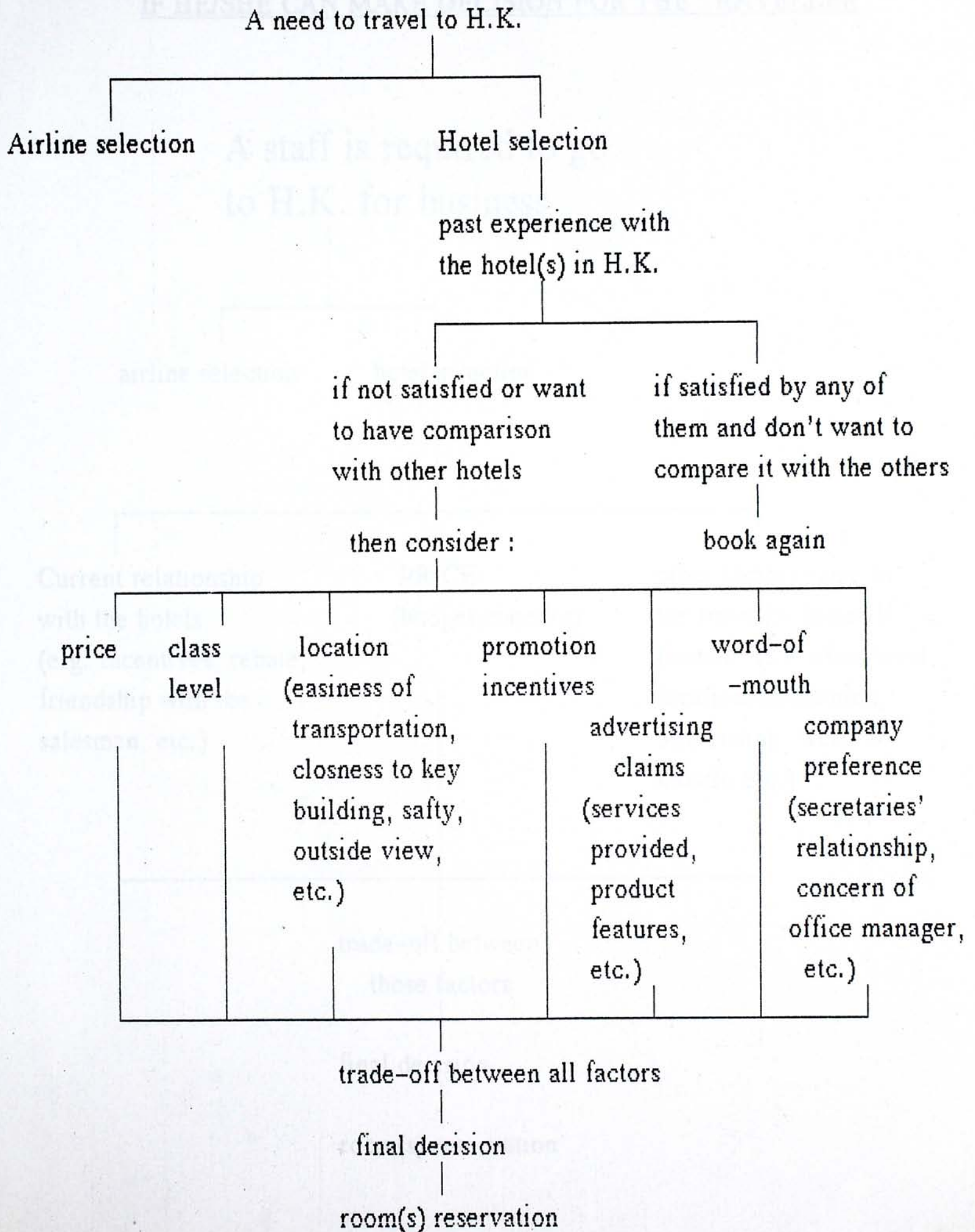
DECISION MAKING PROCESS OF A TRAVELLER

A need to travel to H. K.

CHAPTER XIV

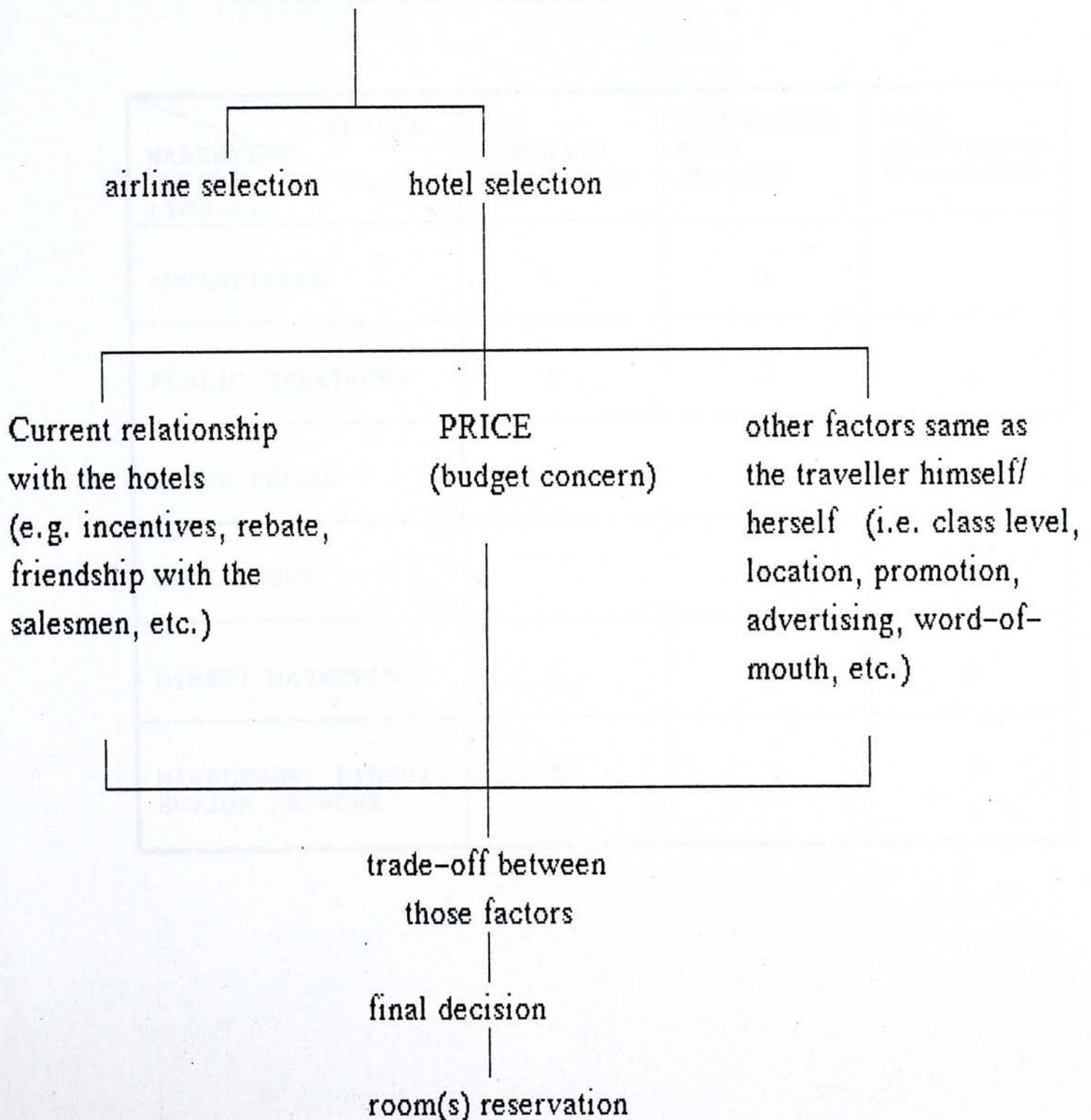
CONCLUSION

A direct marketing system is not a sophisticated system. It is a system that most of the hotel marketers are able to pursue. Although its effectiveness will vary from one industry to another, its effectiveness in hotel industry is unquestionable. Bear in mind that direct marketing is not necessary to be mutually exclusive with the other traditional marketing tools. Therefore, we can just add direct marketing to the list of our tools. If we can make good combination of traditional tools and direct marketing in our promotion plan, synergistic effect can be achieved.

DECISION MAKING PROCESS OF A TRAVELLER

DECISION MAKING PROCESS OF A BOOKING PERSONNEL,
IF HE/SHE CAN MAKE DECISION FOR THE TRAVELLER

A staff is required to go
to H.K. for business



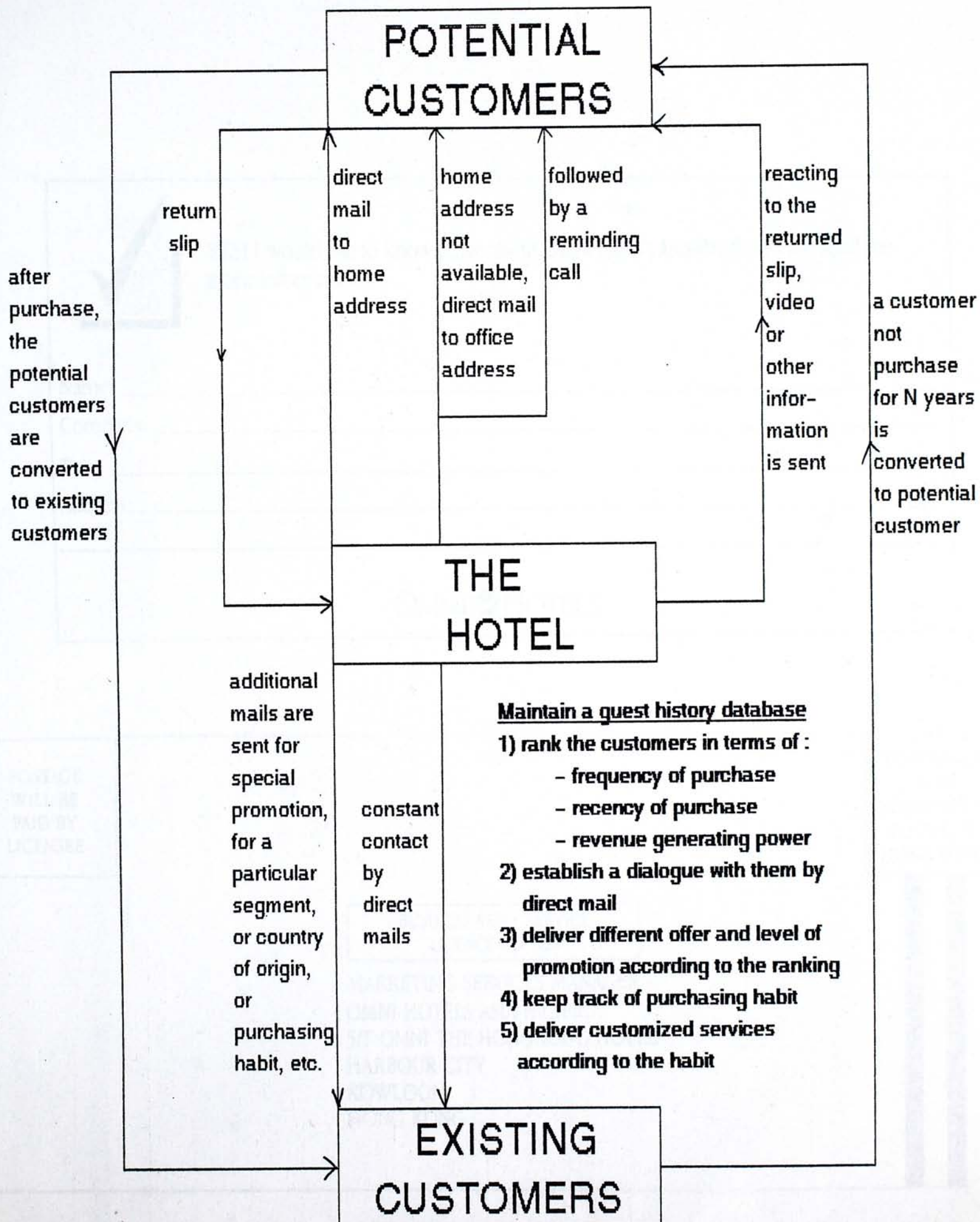
MARKETING TOOLS USED BY OMNI HOTELS ASIA PACIFIC
IN VARIOUS PHASES OF CUSTOMER PURCHASE

| MARKETING INFLUENCES (TOOLS) | PHASES | PRE PURCHASE EVALUATION | EXPERIENCE WITH PRODUCT | POST EXPERIENCE EVALUATION |
|--------------------------------------|--------|-------------------------------|-------------------------------|----------------------------------|
| ADVERTISING | | X | X | |
| PUBLIC RELATIONS | | X | X | X |
| SALES PERSON | | X | X | X |
| OPERATIONS | | | X | |
| DIRECT MARKETING | | X | X | X |
| MIDDLEMEN/ DISTRI- BUTION NETWORK | | X | X | X |

FUNCTIONS APPLIED BY OMNI HOTELS ASIA PACIFIC
TO INFLUENCE THE DECISION MAKER

| PHASES INFLUENCES | PRE PURCHASE EVALUATION | EXPERIENCE WITH THE PRODUCT | POST EXPERIENCE EVALUATION |
|-----------------------------|--------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------|
| LOCAL SECRETARY | DIRECT SALES, ADVERTISING, DM, PR, PR, PROMOTION | INCENTIVE SCHEME, VALUE ADDED ACTIVITIES | DIRECT SALES, PR, DM |
| LOCAL OFFICE MANAGER | DIRECT SALES, ADVERTISING, DM | VALUE ADDED ACTIVITIES | DIRECT SALES, PR, DM |
| TRAVELLER | ADVERTISING, DM, DIRECT SALES | ADS, DIRECT SALES, PR, V. ADDED ACTIVITIES | DIRECT SALES, DM |
| CORPORATE HEAD OFFICE | SAME TOOLS USED AS THAT FOR TRAVELLER | SAME TOOLS USED AS THAT FOR TRAVELLER | SAME TOOLS USED AS THAT FOR TRAVELLER |
| - TRAVEL COORDINATOR | 65% EFFORT | 65% EFFORT | 65% EFFORT |
| - TRAVELLER'S SECRETARY | 25% EFFORT | 25% EFFORT | 25% EFFORT |
| - TRAVELLER'S PEER GROUP | 10% EFFORT | 10% EFFORT | 10% EFFORT |

A PICTURE OF A DIRECT MARKETING SYSTEM IN A HOTEL



FREE INFORMATION OFFER MADE BY OMNI HOTELS ASIA PACIFIC

YES! I would like to know more about Omni Hotels Asia-Pacific. Please send me more information.

Name: _____

Company: _____

Title: _____

Address: _____

OMNI  HOTELS

POSTAGE
WILL BE
PAID BY
LICENSEE

NO POSTAGE
STAMP
NECESSARY IF
POSTED IN
HONG KONG

BUSINESS REPLY SERVICE
LICENCE NO. 666

MARKETING SERVICES MANAGER
OMNI HOTELS ASIA-PACIFIC
5/F OMNI THE HONGKONG HOTEL
HARBOUR CITY
KOWLOON
HONG KONG

CHARTERS OFFER MADE BY OMNI HOTELS ASIA PACIFIC

UPGRADE

VALID MAY 1ST 1992 - SEPTEMBER 31ST 1992

As part of our desire to warmly welcome our guests, check in at any of Omni's Asia-Pacific properties listed below and receive an upgrade to the next category of room available with our compliments. Our offer is subject to availability upon check-in and excludes Continental Floors.

HONG KONG: Omni The Hongkong Hotel

Omni Marco Polo Hotel

Omni Prince Hotel

SINGAPORE : Omni Marco Polo Hotel

OMNI  HOTELS

WARMLY WELCOMING PEOPLE

Terms and Conditions

1. This certificate entitles the bearer to a complimentary upgrade to the next category of room subject to availability.
2. The offer is applicable only when paying published tariff or corporate rates. The offer is not applicable for group, package, convention, discount or promotional rates and not combinable with other offers or certificates.
3. The guest must sign and surrender this certificate upon check-in.
4. This certificate is for room upgrade only. Guests must pay for room, all applicable taxes, incidentals, food and beverage and any additional charges incurred.
5. This offer is valid at Omni Asia-Pacific Hotels highlighted overleaf.

Hotel Procedures

1. Verify date and location validity.
2. Guest should sign and surrender the certificate.
3. Normal credit verification procedures apply.
4. Complete the information below and forward certificate to Marketing Services Manager, Omni Hotels Asia-Pacific.

NAME: _____

SIGNATURE: _____

HOTEL: _____

DATES OF CERTIFICATE USE: _____

AUTHORIZATION: _____

GUEST HISTORY NO: _____

A TYPICAL GUEST HISTORY FILE IN OMNI HOTELS ASIA PACIFIC

**
** PRINT KEY FROM-R3 BY USER-RESERVE 03/04/92 15.08.53 **
**

*** GUEST HISTORY ***

MEMBER# 0057056 RM # TYPE INITIAL VISIT 14/10/88
GUEST NAME TOTAL VISITS 54
GROUP NAME NATIONAL SEMI-CONDUCTOR TOTAL NIGHTS 50
STREET 83 TAMAN SARA HEIGHTS, AVG. VISIT 1
CITY, STATE KUALA LUMPUR, TOT REVENUE 18524.70
POSTAL 201045 AVG REVENUE 343.05

PHONE: COUNTRY 1 MA 2 TP SPECIALS SP TP *CMNT*
CREDIT 1 CR CARD A/R # PASSPORT # 2011702
VIP Y T/A 2218 VISA # JOYCE/ZUL

COMMENT

FINANCE DIRECTOR/TP-HK5547/

| # | ARRIVE | DEPART | DAYS | ROOM | RATE | CD | REVENUE | SPECIALS |
|----|----------|----------|------|------|--------|----|---------|----------|
| 54 | 13/03/92 | 14/03/92 | 1 | 932 | 260.00 | | 337.65 | SP TP |
| 53 | 11/03/92 | 12/03/92 | 1 | 732 | 260.00 | | 270.30 | SP TP |
| 52 | 29/02/92 | 1/03/92 | 1 | 1001 | 260.00 | | 364.65 | SP TP UP |
| 51 | 24/02/92 | 25/02/92 | 1 | 901 | 320.00 | | 405.35 | SP TP |
| 50 | 11/02/92 | 12/02/92 | 1 | 732 | 260.00 | | 356.65 | SP TP |
| 49 | 6/02/92 | 7/02/92 | 1 | 1032 | 260.00 | | 280.40 | SP TP |
| 48 | 27/01/92 | 28/01/92 | 1 | 732 | 260.00 | | 319.95 | SP TP |
| 47 | 22/11/91 | 23/11/91 | 1 | 932 | 280.00 | | 393.80 | SP TP |

PRESS CM0-5 TO DISPLAY COMMENTS

BIBLIOGRAPHY

Bob Stone, Successful Direct Marketing, Crain Books, 1979.

Christian Brann, Cost-effective Direct Marketing, Collectors' Books Limited, 1984.

Ernan Roman, Integrated Direct Marketing, McGraw-Hill, 1988.

Frank Jefkins, The Secrets of Successful Direct Response Marketing, Heinemann, 1988.

Freeman F. Gosden, Jr., Direct Marketing Success, John Wiley & Sons, 1985.

Edward L. Nash, Direct Marketing: Strategy / Planning / Execution, McGraw Hill, 1986.

Martin Baier, Element of Direct Marketing, McGraw Hill, 1985.

Vin Jenkins, The Concept of Direct Marketing, Australian Post, 1984.

CUHK Libraries



000348219